

**NASHVILLE RESCUE MISSION**

**FINANCIAL STATEMENTS  
AND  
ADDITIONAL INFORMATION**

**December 31, 2004 and 2003**

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## TABLE OF CONTENTS

Independent Auditor's Report.....	2
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities .....	4 – 5
Statements of Functional Expenses.....	6 – 7
Statements of Cash Flows .....	8
Notes to Financial Statements .....	9 – 17
Additional Information:	
Independent Auditor's Report on Additional Information .....	18
Schedules of Total Expenses by Department.....	19



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INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Nashville Rescue Mission  
Nashville, Tennessee

We have audited the accompanying statements of financial position of Nashville Rescue Mission (a non-profit organization) as of December 31, 2004 and 2003, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nashville Rescue Mission as of December 31, 2004 and 2003 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Frasier, Dean + Howard, PLLC*

April 1, 2005

**NASHVILLE RESCUE MISSION**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 771,162	\$ 414,939
Unconditional promises to give - current portion	-	21,923
Supplies inventory	<u>5,318</u>	<u>5,663</u>
Total current assets	776,480	442,525
Long-term investments	8,000	8,000
Unconditional promises to give, less current portion	-	1,068
Land, buildings and equipment, net	<u>6,117,431</u>	<u>6,311,150</u>
Total assets	<u>\$6,901,911</u>	<u>\$6,762,743</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 149,609	\$ 220,895
Notes payable - current portion	33,984	31,978
Other current liabilities	<u>27,689</u>	<u>27,674</u>
Total current liabilities	211,282	280,547
Notes payable, less current portion	<u>271,056</u>	<u>304,875</u>
Total liabilities	<u>482,338</u>	<u>585,422</u>
Net assets:		
Unrestricted	6,400,477	6,158,292
Temporarily restricted	11,096	11,029
Permanently restricted	<u>8,000</u>	<u>8,000</u>
Total net assets	<u>6,419,573</u>	<u>6,177,321</u>
Total liabilities and net assets	<u>\$6,901,911</u>	<u>\$6,762,743</u>

See accompanying notes.

**NASHVILLE RESCUE MISSION**  
**STATEMENT OF ACTIVITIES**  
Year ended December 31, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Public Support:</b>				
Contributions	\$ 4,460,459	\$ 77,224	\$ -	\$4,537,683
Gifts-in-kind	3,019,305	-	-	3,019,305
Bequests	154,950	-	-	154,950
Net assets released from restrictions	<u>77,224</u>	<u>(77,224)</u>	<u>-</u>	<u>-</u>
Total public support	<u>7,711,938</u>	<u>-</u>	<u>-</u>	<u>7,711,938</u>
<b>Revenue:</b>				
Investment income	166	67	-	233
Fees for property use	131,153	-	-	131,153
Other revenue	<u>43,169</u>	<u>-</u>	<u>-</u>	<u>43,169</u>
Total revenue	<u>174,488</u>	<u>67</u>	<u>-</u>	<u>174,555</u>
Total public support and revenue	<u>7,886,426</u>	<u>67</u>	<u>-</u>	<u>7,886,493</u>
<b>Expenses:</b>				
<b>Program services:</b>				
Food, clothing and other distributions	3,021,409	-	-	3,021,409
Transient services	1,529,448	-	-	1,529,448
Rehabilitation services	1,164,841	-	-	1,164,841
Public awareness	<u>156,001</u>	<u>-</u>	<u>-</u>	<u>156,001</u>
Total program services	<u>5,871,699</u>	<u>-</u>	<u>-</u>	<u>5,871,699</u>
<b>Supporting services:</b>				
Management and general	296,775	-	-	296,775
Fundraising	<u>1,475,767</u>	<u>-</u>	<u>-</u>	<u>1,475,767</u>
Total supporting services	<u>1,772,542</u>	<u>-</u>	<u>-</u>	<u>1,772,542</u>
Total expenses	<u>7,644,241</u>	<u>-</u>	<u>-</u>	<u>7,644,241</u>
Change in net assets	242,185	67	-	242,252
Net assets at beginning of year	<u>6,158,292</u>	<u>11,029</u>	<u>8,000</u>	<u>6,177,321</u>
Net assets at end of year	<u>\$ 6,400,477</u>	<u>\$ 11,096</u>	<u>\$ 8,000</u>	<u>\$6,419,573</u>

See accompanying notes.

**NASHVILLE RESCUE MISSION**  
**STATEMENT OF ACTIVITIES**  
Year ended December 31, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Public Support:</b>				
Contributions	\$ 4,337,918	\$ 102,148	\$ -	\$4,440,066
Gifts-in-kind	2,503,635	-	-	2,503,635
Bequests	113,085	-	-	113,085
Net assets released from restrictions	102,148	(102,148)	-	-
Total public support	<u>7,056,786</u>	<u>-</u>	<u>-</u>	<u>7,056,786</u>
<b>Revenue:</b>				
Investment income	310	29	-	339
Fees for property use	135,141	-	-	135,141
Other revenue	42,204	-	-	42,204
Total revenue	<u>177,655</u>	<u>29</u>	<u>-</u>	<u>177,684</u>
Total public support and revenue	<u>7,234,441</u>	<u>29</u>	<u>-</u>	<u>7,234,470</u>
<b>Expenses:</b>				
Program services:				
Food, clothing and other distributions	2,519,412	-	-	2,519,412
Transient services	1,419,525	-	-	1,419,525
Rehabilitation services	1,109,896	-	-	1,109,896
Public awareness	105,597	-	-	105,597
Total program services	<u>5,154,430</u>	<u>-</u>	<u>-</u>	<u>5,154,430</u>
Supporting services:				
Management and general	304,685	-	-	304,685
Fundraising	1,444,428	-	-	1,444,428
Total supporting services	<u>1,749,113</u>	<u>-</u>	<u>-</u>	<u>1,749,113</u>
Total expenses	<u>6,903,543</u>	<u>-</u>	<u>-</u>	<u>6,903,543</u>
Change in net assets	330,898	29	-	330,927
Net assets at beginning of year	<u>5,827,394</u>	<u>11,000</u>	<u>8,000</u>	<u>5,846,394</u>
Net assets at end of year	<u>\$ 6,158,292</u>	<u>\$ 11,029</u>	<u>\$ 8,000</u>	<u>\$6,177,321</u>

See accompanying notes.

**NASHVILLE RESCUE MISSION  
STATEMENT OF FUNCTIONAL EXPENSES  
Year ended December 31, 2004**

	Program Services				Supporting Services				Total Expenses
	Food, Clothing and Other Distributions	Transient Services	Rehabilitation Services	Public Awareness	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Gifts-in-kind	\$ 3,009,305	\$ -	\$ -	\$ -	\$ 3,009,305	\$ -	\$ -	\$ -	\$ 3,009,305
Salaries and wages	-	770,145	557,465	79,216	1,406,826	63,922	264,119	328,041	1,734,867
Contract services - donor appeals	-	-	-	-	-	-	872,701	872,701	872,701
Utilities	-	161,389	156,750	-	318,139	19,789	21,645	41,434	359,573
Other employee benefits	-	167,919	101,029	-	268,948	34,163	35,761	69,924	338,872
Printing and postage	-	134	-	17,730	17,864	9,098	164,802	173,900	191,764
Repairs and maintenance	-	97,135	55,095	-	152,230	8,794	4,950	13,744	165,974
Payroll taxes	-	58,167	42,506	5,984	106,657	4,309	19,927	24,236	130,893
Publicity	-	-	-	49,923	49,923	-	55,474	55,474	105,397
Supplies	-	40,969	28,154	-	69,123	19,257	15,140	34,397	103,520
Professional fees	-	-	-	-	-	101,322	-	101,322	101,322
Insurance	-	29,500	42,479	-	71,979	2,305	1,640	3,945	75,924
Travel and transportation	-	56,802	7,283	-	64,085	3,968	4,772	8,740	72,825
Retirement benefits	-	15,616	19,038	3,148	37,802	2,654	9,169	11,823	49,625
Benevolence	-	9,600	24,627	-	34,227	-	-	-	34,227
Interest	-	-	19,776	-	19,776	-	-	-	19,776
Food and clothing	12,104	-	-	-	12,104	2,028	232	2,260	14,364
Education and training	-	2,797	3,487	-	6,284	2,704	580	3,284	9,568
Property taxes	-	-	-	-	-	3,112	-	3,112	3,112
Rental of equipment	-	527	62	-	589	-	-	-	589
Miscellaneous	-	98	-	-	98	59	20	79	177
	<u>3,021,409</u>	<u>1,410,798</u>	<u>1,057,751</u>	<u>156,001</u>	<u>5,645,959</u>	<u>277,484</u>	<u>1,470,932</u>	<u>1,748,416</u>	<u>7,394,375</u>
Depreciation	-	118,650	107,090	-	225,740	19,291	4,835	24,126	249,866
<b>Total expenses</b>	<u><u>\$ 3,021,409</u></u>	<u><u>\$ 1,529,448</u></u>	<u><u>\$ 1,164,841</u></u>	<u><u>\$ 156,001</u></u>	<u><u>\$ 5,871,699</u></u>	<u><u>\$ 296,775</u></u>	<u><u>\$ 1,475,767</u></u>	<u><u>\$ 1,772,542</u></u>	<u><u>\$ 7,644,241</u></u>

See accompanying notes.

**NASHVILLE RESCUE MISSION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended December 31, 2003

	Program Services				Supporting Services				Total Expenses
	Food, Clothing and Other Distributions	Transient Services	Rehabilitation Services	Public Awareness	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Gifts in kind	\$ 2,501,775	\$ -	\$ -	\$ -	\$ 2,501,775	\$ -	\$ -	\$ -	\$ 2,501,775
Salaries and wages	-	737,407	527,433	59,107	1,323,947	70,268	279,577	349,845	1,673,792
Contract services - donor appeals	-	-	-	-	-	-	853,767	853,767	853,767
Utilities	-	149,120	143,619	-	292,739	19,788	20,376	40,164	332,903
Other employee benefits	-	125,441	98,988	-	224,429	31,600	33,237	64,837	289,266
Printing and postage	-	185	-	1,084	1,269	9,097	180,160	189,257	190,526
Repairs and maintenance	-	87,091	38,587	-	125,678	4,590	2,346	6,936	132,614
Payroll taxes	-	55,669	39,989	4,512	100,170	4,910	20,157	25,067	125,237
Professional fees	-	-	-	-	-	102,626	-	102,626	102,626
Supplies	-	35,202	22,499	28	57,729	22,310	11,678	33,988	91,717
Publicity	-	-	-	37,935	37,935	-	27,428	27,428	65,363
Travel and transportation	-	47,175	7,249	39	54,463	2,055	4,143	6,198	60,661
Insurance	-	22,694	33,695	-	56,389	1,641	1,410	3,051	59,440
Benevolence	-	10,815	33,564	-	44,379	240	-	240	44,619
Interest	-	10,395	29,584	-	39,979	2,231	-	2,231	42,210
Retirement benefits	-	15,108	16,727	2,892	34,727	3,488	2,218	5,706	40,433
Food and clothing	17,637	-	-	-	17,637	1,882	46	1,928	19,565
Education and training	-	2,736	4,550	-	7,286	1,944	1,015	2,959	10,245
Property taxes	-	-	-	-	-	3,112	-	3,112	3,112
Miscellaneous	-	-	75	-	75	231	30	261	336
Rental of equipment	-	101	-	-	101	50	-	50	151
	<u>2,519,412</u>	<u>1,299,139</u>	<u>996,559</u>	<u>105,597</u>	<u>4,920,707</u>	<u>282,063</u>	<u>1,437,588</u>	<u>1,719,651</u>	<u>6,640,358</u>
Depreciation		120,386	113,337	-	233,723	22,622	6,840	29,462	263,185
Total expenses	<u>\$ 2,519,412</u>	<u>\$ 1,419,525</u>	<u>\$ 1,109,896</u>	<u>\$ 105,597</u>	<u>\$ 5,154,430</u>	<u>\$ 304,685</u>	<u>\$ 1,444,428</u>	<u>\$ 1,749,113</u>	<u>\$ 6,903,543</u>

See accompanying notes.



**NASHVILLE RESCUE MISSION  
STATEMENTS OF CASH FLOWS  
Years ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Change in net assets	\$ 242,252	\$ 330,927
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	249,866	263,185
Provision for doubtful and discounted pledges	(10,409)	(4,361)
Decrease in:		
Supplies inventory	345	-
Unconditional promises to give	33,400	26,800
Increase (decrease) in:		
Accounts payable	(71,285)	72,857
Other current liabilities	15	(2,660)
	<u>444,184</u>	<u>686,748</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	<u>(56,147)</u>	<u>(9,816)</u>
Net cash used in investing activities	<u>(56,147)</u>	<u>(9,816)</u>
Cash flows from financing activities:		
Payments on notes payable	(31,814)	(34,742)
Borrowings under line of credit	-	261,500
Repayments on line of credit	<u>-</u>	<u>(661,500)</u>
Net cash used in financing activities	<u>(31,814)</u>	<u>(434,742)</u>
Net increase in cash	356,223	242,190
Cash and cash equivalents at beginning of year	<u>414,939</u>	<u>172,749</u>
Cash and cash equivalents at end of year	<u>\$ 771,162</u>	<u>\$ 414,939</u>

See accompanying notes.

**NASHVILLE RESCUE MISSION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2004 and 2003**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Nashville Rescue Mission (the “Mission”) was incorporated March 16, 1954 in accordance with the laws of the State of Tennessee as a non-profit corporation. (The Mission was formerly known as the Nashville Union Mission, Inc. until its name was changed in December 2000.) The Mission’s purpose is to seek to help the hurting of Middle Tennessee by offering food, clothing, and shelter to the homeless and recovery programs to those enslaved in life-degrading problems. The Mission’s goal is to help people know the saving grace of Jesus, gain wisdom for living, find fulfillment in life and become a positive part of their community.

The following program services are provided by the Mission in Nashville, Tennessee:

Food, Clothing and Other Distributions:

- Represents in-kind donations and purchases of food and clothing utilized in other programs as well as excess amounts distributed to other non-profit agencies.

Transient Services:

- Men’s Shelter – providing shelter, medical care and spiritual counseling to transient and homeless individuals.
- Family Life Center – providing medical care, spiritual counseling and shelter for needy women and their children.
- Travelers Aid – providing travel assistance to needy individuals.

Rehabilitation Services:

- Men’s Recovery Program – providing a life recovery program for men affected by addictions and life defeating problems including Bible classes, counseling, educational classes, and employment preparation to men who seek a way out of destructive lifestyles.
- Education – providing educational opportunities including: graduate equivalency diploma, vocational skills, reading, writing, and other classes.
- The Lodging Place – providing housing (single resident occupancy units) to working men who have demonstrated a commitment to building new lives for themselves; housing is for a limited period while transitioning from reliance on the Mission’s programs to securing independent housing arrangements.
- Hope Center – providing a life recovery program for women affected by addictions and life defeating problems including Bible classes, counseling, educational classes, and employment preparation to women who seek a way out of destructive lifestyles.

**NASHVILLE RESCUE MISSION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2004 and 2003**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- Anchor Home for Young Men – providing a “second chance” program to assist young men with past addiction, legal, criminal and antisocial issues.

Public Awareness:

- Public Awareness – providing information to the public regarding needs of the community and the Mission’s program services.

**Basis of Accounting**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America using the accrual method of accounting.

**Basis of Presentation**

The Mission presents its financial statements in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Mission is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Mission is required to present a statement of cash flows. Net assets of the Mission are presented as follows:

Unrestricted net assets

Undesignated – net assets that are not subject to donor-imposed stipulations.

Designated – net assets designated by the Mission for particular purposes outside of normal operating activities.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met either by actions of the Mission and/or the passage of time. When a restriction expires or is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – net assets subject to donor-imposed stipulations that require that the assets be maintained permanently by the Mission. Generally, the donors of these assets permit the Mission to use all or part of the income earned on related investments for general or specific purposes.

**NASHVILLE RESCUE MISSION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2004 and 2003**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash and Cash Equivalents**

Cash and cash equivalents include all highly liquid investments, such as money market funds and other investments, that have a maturity of three months or less at the time of purchase.

The Organization's bank accounts may be in excess of the federally insured limits at times throughout the year.

**Supplies Inventory**

Supplies inventory is carried at cost if purchased or at estimated fair value as of the date contributed.

**Land, Buildings and Equipment**

Land, buildings and equipment are recorded at cost. Expenditures for ordinary maintenance and repairs are charged to operations. Renewals and betterments that materially extend the life of the asset are capitalized. Depreciation is provided in amounts necessary to allocate the cost of the various classes of assets over their estimated useful lives using the straight-line method. Estimated useful lives of all major classes of assets are as follows:

Buildings and improvements	20 – 40 years
Equipment and vehicles	5 years
Furniture, fixtures and equipment	3 – 10 years

**Public Support**

The Mission receives public support in the form of cash contributions, unconditional promises to give, bequests, gifts of securities, gifts of real estate, gifts-in-kind and donated services. The Mission generally recognizes public support in the year contributed at fair value, with gifts-in-kind determined as follows:

Gifts-in-kind: primarily includes donated food, clothing and other assets. The value of donated food and clothing is recognized as public support with a corresponding expense for program services when consumed at an estimated value of \$2.26 (effective January 2004) per meal served and \$4.70 per article of clothing provided. Beginning in 2001, excess clothing distributed to other non-profit agencies is valued at \$5.00 per pound. (Estimated values utilized by the Mission prior to January 2004 were \$1.84 per meal served and \$4.00 per article of clothing provided.) Management believes these estimated values for donated food and clothing are conservative based on cost studies performed. Other assets donated are recorded at estimated fair value on the date received.

**NASHVILLE RESCUE MISSION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2004 and 2003**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Public Support**

Donated Services: generally not recognized unless the services

- a. Create or enhance a non-financial asset (such as a building), or
- b. are specialized skills provided by entities or persons possessing those skills (such as physicians or accountants) and would be purchased if they were not donated.

A receivable from a donor is recognized when the Mission receives an unconditional promise to give a determinable amount. Amounts scheduled to be received in excess of one year are recorded at estimated present value, by discounting the future cash flows using a risk-free interest rate that corresponds with the term of each promise to give. An allowance for uncollectible amounts has been provided.

**Income Taxes**

The Nashville Rescue Mission is a non-profit corporation that has qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

**Functional Allocation of Expenses**

“Total Expenses” reported in the accompanying Statements of Functional Expenses include expenses directly attributable to specific programs and services, and certain other expenses that are allocated to reflect management’s estimates of the benefits realized by the applicable programs and supporting services.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates used by management in preparing these financial statements primarily relate to those assumed in establishing the value of gifts-in-kind, donated services, and the allowance for uncollectible promises to give. Accordingly, actual results could differ from those estimates.

**NASHVILLE RESCUE MISSION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2004 and 2003**

**NOTE 2 – LAND, BUILDINGS AND EQUIPMENT**

Land, buildings and equipment consist of the following at December 31:

	<b>2004</b>	<b>2003</b>
Land and improvements	\$ 220,816	\$ 220,816
Buildings and improvements	6,599,156	6,577,498
Furniture, fixtures and equipment	935,272	910,783
Automobiles and trucks	90,990	80,990
	7,846,234	7,790,087
 Less accumulated depreciation	 (1,728,803)	 (1,478,937)
	<b>\$ 6,117,431</b>	<b>\$ 6,311,150</b>

**NOTE 3 – UNCONDITIONAL PROMISES TO GIVE**

The Mission began a capital campaign during 2000 to raise funds for the construction and renovation of the Lafayette Street building. The focus of this campaign was to construct a men’s overnight facility and a men’s recovery facility, to provide modern support services, to provide a new adult learning/education lab, and to build a recreational facility. During 2000, the Mission received several commitments from donors that extend over varying periods. The present value of these promises to give to the capital campaign, net of estimated uncollectible promises, is included in the Mission’s net assets as “Unconditional promises to give.” A risk-free interest rate corresponding with the term of each promise was used to discount the expected future cash flows of any commitments extending beyond one year to their net present value.

Unconditional promises to give are summarized below at December 31:

	<b>2004</b>	<b>2003</b>
Receipts expected within one year	\$ -	\$ 31,600
Receipts expected in one to five years	-	1,800
	-	33,400
 Less allowance for estimated uncollectible amounts	 -	 (10,000)
Less discounts to present value (for amounts extending beyond one year)	-	(409)
 Net unconditional promises to give	 -	 22,991
Less current portion	-	(21,923)
 Total long-term portion	 <b>\$ -</b>	 <b>\$ 1,068</b>

**NASHVILLE RESCUE MISSION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2004 and 2003**

**NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS**

Certain contributions were restricted by donors for use in conjunction with specified projects as follows for the years ended December 31:

	<b>2004</b>	<b>2003</b>
General use for the Family Life Center	\$ 55,895	\$ 81,064
Food and lodging	20,104	14,027
Travelers Aid	-	4,791
General use for the Anchor Home program	1,225	2,266
Total temporarily restricted contributions	\$ 77,224	\$ 102,148

Temporarily restricted net assets that were released upon satisfaction of donor-specified expenditure or time restrictions are summarized as follows for the years ended December 31:

	<b>2004</b>	<b>2003</b>
General use for the Family Life Center	\$ 55,895	\$ 81,064
Food and lodging	20,104	14,027
Travelers Aid	-	4,791
General use for the Anchor Home program	1,225	2,266
Total net assets released from restrictions	\$ 77,224	\$ 102,148

Temporarily restricted net assets consist of the following at December 31:

	<b>2004</b>	<b>2003</b>
Cash and cash equivalents for:		
College scholarships for program members	\$ 11,096	\$ 11,029

**NOTE 5 – PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consist of the following at December 31:

	<b>2004</b>	<b>2003</b>
Non-transferable preferred stock to be held for the production of investment income	\$ 8,000	\$ 8,000

The quarterly dividend on the preferred stock, which is based on an annual rate of prime less 1.5%, is available for use by the Mission on an unrestricted basis.

**NASHVILLE RESCUE MISSION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2004 and 2003**

**NOTE 6 – GIFTS-IN-KIND AND DONATED SERVICES**

As described in Note 1, the Mission receives various non-cash gifts, primarily food and clothing, and recognizes them as public support in the year contributed. Generally, these gifts-in-kind are utilized in the same year they are received. Gifts-in-kind received, distributed and capitalized are summarized as follows for the years ended December 31:

	<u>2004</u>	<u>2003</u>
Gifts-in-kind received	\$ 3,019,305	\$ 2,503,635
Gifts-in-kind distributed:		
Clothing	\$ 1,862,132	\$ 1,516,827
Food	1,021,823	850,126
Holiday gifts	62,460	78,238
Supplies	27,478	28,459
Professional services	<u>35,412</u>	<u>28,125</u>
Total distributed	<u>\$ 3,009,305</u>	<u>\$ 2,501,775</u>
Gifts-in-kind capitalized:		
Automobiles and trucks	<u>\$ 10,000</u>	<u>\$ 1,860</u>
Total capitalized	<u>\$ 10,000</u>	<u>\$ 1,860</u>
Excess (deficit) of amounts received over amounts distributed and capitalized during the year	<u>\$ -</u>	<u>\$ -</u>

As described in Note 1, the Mission has recognized contributions of gifts-in-kind for donated professional services and recorded the services at their estimated fair value. These services primarily include capitalized architectural services and other construction related items, and medical services provided by doctors, nurses and physician's assistants. Total donated services included with the above gifts-in-kind information for the years ended December 31, 2004 and 2003 were \$35,412 and \$28,125, respectively.

In addition, a substantial number of non-professional volunteers have donated significant amounts of their time to the Mission's program services; however, the fair value of these services has not been reflected in the accompanying financial statements.

**NOTE 7 – BEQUESTS**

Similar to many non-profit organizations, the Mission receives support from bequests. As indicated in Note 1, contributions (including bequests) are recognized as public support when received or when the contributor makes an unconditional promise to give a determinable amount. As a result, the amount of support from bequests may vary significantly between years. Bequests received during the years ended December 31, 2004 and 2003 totaled \$154,950 and \$113,085, respectively.



**NASHVILLE RESCUE MISSION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2004 and 2003**

**NOTE 7 – BEQUESTS (continued)**

The Mission’s policy is to utilize amounts received from bequests for repayment of debt, capital additions, endowments and other long-range planning purposes. Support from bequests is not intended to be utilized for day-to-day operations, unless deemed necessary by management.

**NOTE 8 – NOTES PAYABLE**

Notes payable consist of the following at December 31:

	<u>2004</u>	<u>2003</u>
<p>Mortgage payable – executed November 1997 with payment terms amended effective December 31, 2001. Originally payable in monthly installments of \$6,250; as of December 31, 2002, payable in monthly installments of \$5,570 including principal and interest at 6.0%, with remaining principal due July 1, 2003. As of April 25, 2003, payable in monthly installments of \$4,302, including principal and interest at 6.1% with remaining principal due April 25, 2008. Collateralized by certain real property. The agreement contains various covenants including the requirement to maintain a coverage ratio equal to or greater than 1 to 1, measured as of December 31 each year. The Mission was in compliance with these covenants at December 31, 2004.</p>	\$ 305,040	\$ 336,853
<p>Revolving line of credit – principal due on demand but if no demand made, due July 2005. Collateralized by certain real property. Interest at lender’s prime rate (5.25% at December 31, 2004) payable monthly. The agreement allows for maximum borrowings of \$950,000 and contains various covenants including the requirement to maintain a coverage ratio equal to or greater than 1 to 1, measured as of December 31 each year. The Mission was in compliance with these covenants at December 31, 2004.</p>	-	-
Total notes payable	305,040	336,853
Less current portion	(33,984)	(31,978)
Long-term portion	\$ 271,056	\$ 304,875

**NASHVILLE RESCUE MISSION**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**December 31, 2004 and 2003**

**NOTE 8 – NOTES PAYABLE (continued)**

Principal maturities of notes payable at December 31, 2004 are as follows:

Year Ending <u>December 31</u>	
2005	\$ 33,984
2006	36,129
2007	38,396
2008	<u>196,531</u>
	<u>\$ 305,040</u>

**NOTE 9 – EMPLOYEE BENEFITS**

The Mission provides a retirement benefit (the “Retirement Plan”) to its eligible employees. All eligible employees who elect to participate make contributions to the Retirement Plan through payroll deductions. The Mission matches participating employee contributions up to eight percent of their annual salary. The Mission recognized expense of \$49,625 and \$40,433 during 2004 and 2003, respectively, for matching contributions to the Retirement Plan.

**NOTE 10 – SUPPLEMENTAL CASH FLOW INFORMATION**

The Mission recognized certain non-cash transactions as follows:

	<u>2004</u>	<u>2003</u>
Gifts-in-kind		
Received	\$ 3,019,305	\$ 2,503,635
Distributed	3,009,305	2,501,775
Capitalized	10,000	1,860

Interest paid totaled \$19,814 and \$42,553, for the years ended December 31, 2004 and 2003, respectively.

**ADDITIONAL INFORMATION**



**F R A S I E R , D E A N & H O W A R D , P L L C**

CERTIFIED PUBLIC ACCOUNTANTS

3310 WEST END AVENUE, SUITE 550  
NASHVILLE, TENNESSEE 37203  
PHONE 615-383-6592, FAX 615-383-7094

**INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION**

The Board of Directors  
Nashville Rescue Mission  
Nashville, Tennessee

Our report on our audits of the basic financial statements of Nashville Rescue Mission for 2004 and 2003 appears on page 2. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying 2004 and 2003 Schedules of Total Expenses by Department is presented for purposes of additional analysis, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Fraser, Dean + Howard, PLLC*

April 1, 2005

**NASHVILLE RESCUE MISSION**  
**SCHEDULES OF TOTAL EXPENSES BY DEPARTMENT**  
**Years ended December 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>	<u>Increase (Decrease)</u>
Program services:			
Food, clothing and other distributions	\$ 3,021,409	\$ 2,519,412	\$ 501,997
Transient services:			
Men's shelter	1,049,676	939,008	110,668
Family Life Center	371,381	382,085	(10,704)
Travelers aid	<u>108,391</u>	<u>98,432</u>	<u>9,959</u>
Total transient services	1,529,448	1,419,525	109,923
Rehabilitation services:			
Men's recovery program and education	498,312	495,845	2,467
Hope Center	395,623	353,135	42,488
Anchor Home	138,538	135,948	2,590
The Lodging Place	<u>132,368</u>	<u>124,968</u>	<u>7,400</u>
Total rehabilitation services	1,164,841	1,109,896	54,945
Public awareness	<u>156,001</u>	<u>105,597</u>	<u>50,404</u>
Total program services	<u>5,871,699</u>	<u>5,154,430</u>	<u>717,269</u>
Supporting Services:			
Management and general	296,775	304,685	(7,910)
Fundraising	<u>1,475,767</u>	<u>1,444,428</u>	<u>31,339</u>
Total supporting services	<u>1,772,542</u>	<u>1,749,113</u>	<u>23,429</u>
Total expenses	<u>\$ 7,644,241</u>	<u>\$ 6,903,543</u>	<u>\$ 740,698</u>

See accompanying notes.